HALF-YEAR REPORT 2024:

Continued sequential improvement of orders and sales driven by demand for advanced semiconductor fabrication equipment. VAT confirms previously communicated expectations on market development for 2024 and into next year as semi industry prepares for strong 2025 growth.

Q2 2024 results
- Orders up 75% year-on-year, sales 14% higher year-on-year, fueled by strong demand from semiconductor industry
- Book-to-bill ratio of 1.1x; order backlog at CHF 346 million

Half-year 2024 results
- Orders up 74% year-on-year, sales flat year-on-year; EBITDA margin at 30.1% vs. 29.2% in H1 2023; H1 2024 net income amounted to CHF 94 million, 12% higher year-on-year; H1 2024 EPS of CHF 3.14
- Free cash flow of CHF 26 million down 29% as a result of inventory prebuilding and higher capital expenditure for additional production capacity in Malaysia and the Innovation Center in Switzerland

Outlook for 2024
- Semiconductor business expected to benefit from higher investments in manufacturing equipment, supported by demand driven by Artificial Intelligence (AI) and ongoing investments in China-based manufacturing capacity
- Advanced Industrials sales expected to remain flat as order-flow from R&D and energy transition projects outweighed by slowdown in end-markets such as solar and scientific instruments; Global Service business benefiting from increasing capacity utilizations at semi fabs
- Market conditions are expected to remain stable throughout H2 2024, with VAT benefiting from replenishment orders as customer inventories have normallized. VAT continues to expect higher sales, EBITDA, EBITDA margin, net income, and free cash flow for FY 2024

Guidance for Q3 2024
- VAT expects sales of CHF 235–255 million, including the planned lower outpower from production ramp-up after the Enterprise Resource Planning (ERP) implementation in Switzerland

VAT
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Key figures

In CHF million	6M 2024	6M 2023	Change
Order intake	506.7	291.7	73.7%
Order backlog	345.6	339.7	1.7%
Net sales	449.6	453.8	–0.9%
Gross profit	298.4	281.7	5.9%
Gross profit margin	66.4%	62.1%	–
EBITDA	135.3	132.4	2.2%
EBITDA margin	30.1%	29.2%	–
EBIT	113.8	111.7	1.9%
EBIT margin	25.3%	24.6%	–
Net income	94.0	84.2	11.6%
Net income margin	20.9%	18.6%	–
Earnings per share (in CHF)	3.14	2.81	11.7%
Cash flow from operating activities	66.3	67.3	–1.5%
Capex[1]	40.0	31.3	27.8%
Capex margin	8.9%	6.9%	–
Free cash flow[2]	26.3	36.9	–28.7%
Free cash flow margin	5.8%	8.1%	–
Free cash flow conversion rate[3]	19.4%	27.9%	–

In CHF million	2024 as of June 30	2023 as of June 30	
Total assets	1,248.0	1,185.3	5.3%
Total liabilities	589.2	521.5	13.0%
Equity	658.7	663.8	–0.8%
Net debt	230.8	198.3	16.4%
Number of employees[4]	2,983	2,706	10.3%

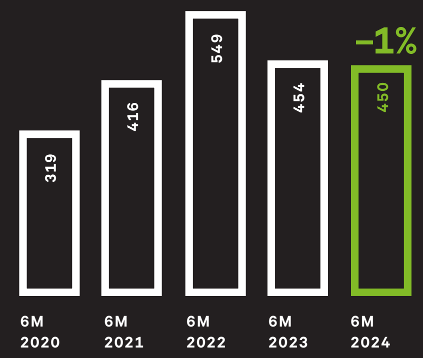
1 Capex comprises acquisitions of subsidiaries net of cash, purchases of property, plant and equipment, and intangible assets and proceeds from sale of property, plant and equipment.
2 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.
3 The free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.
4 Number of employees expressed as ful-time equivalents (FTE)

Net sales
in CHF million

450

2023: 454

Net sales development
in CHF million



EBITDA
in CHF million

135

2023: 132

EBITDA margin
in %

30.1

2023: 29.2

Net sales
by segment

364 VALVES
86 GLOBAL SERVICE

2023:
359 VALVES
95 GLOBAL SERVICE

Net sales
by region

284 ASIA
92 AMERICAS
74 EMEA

2023:
273 ASIA
103 AMERICAS
78 EMEA

Free cash flow
in CHF million

26.3

2023: 36.9

Continued sequential improvement of orders and sales driven by demand for advanced semiconductor fabrication equipment and Chinese localization efforts

Q2 2024 summary
Since Q2 2023, investment conditions on capital equipment in the semiconductor industry have improved. This has resulted in continued, sequential order and sales growth, including in the second quarter of 2024 with customer order flow increasing, as indicated by a book-to-bill ratio above 1.0x. While some short-term uncertainty remains across VAT's end-markets, VAT reiterates confidence around the mid-term guidance provided at the Capital Markets Day (CMD) 2022, based on continued positive order momentum, fruitful interaction with our customers around specifications as well as industry-wide trends such as the number of semiconductor fabs being built, and the accelerating need for leading-edge logic and memory chips through AI applications. Our preparedness to serve the industry includes significant investments made in production capacity and technology enhancements through our R&D organization.

In VAT's Semiconductors business unit, VAT's largest business unit, orders recovered with a strong growth of 140% compared to Q2 2023 and continued its sequential growth, increasing 23% over Q1 2024. Sales and orders from customers in Asia, particularly China, have remained strong, fueled by the latter country's regionalization initiatives. Semiconductor fab utilization rates are on the rise and inventory levels normalized during Q2 2024 for semiconductor customers, creating growing demand for valves, after a period of inventory de-stocking. Semiconductor equipment orders increased driven by AI-related demand with most activity in DRAM-memory and logic. Some markets show signs of weakness including lower demand for consumer electronics demand, where persisting inflation is still a concern, and for discrete, analog and other applications linked to the industrial and automotive sectors. NAND demand has yet to fully recover as chip manufacturers still have excess inventory, while the adaptation of high-bandwidth memory (HBM) is expected to drive demand. In the display market, OLED continues to grow while LCD lags. The OLED market is seeing a further uplift from AI shortening the replacement cycle of phones, laptops and tablets.

In the Advanced Industrials (ADV) business unit, VAT continues to observe mixed dynamics as order intake in Q2 2024 declined by 23% vs. Q2 2023. Sales increased by 7% quarter-over-quarter but declined 24% over Q2 2023. In energy transition, demand for valves for solar applications remains constrained, as customers work through overcapacity; a weakness that is compensated partially by nuclear fusion and civilian nuclear fuel enrichment projects. Research-related orders remain strong and on track. Industrial applications also remain constrained, and valves related to scientific instruments and medical devices are seeing less demand than expected.

The Global Service segment has continued to see improving market conditions. Chip fabs are seeing higher capacity utilization levels – with certain customer fabs reporting over 90% utilization, which in turn increases demand for VAT gates and spare parts. In particular, sales of replacement gates have grown strongly where spares and repairs are showing slower, but continuous sequential growth. While demand related to logic tools was stable, demand increased for the service business from memory manufacturers. In the retrofit and upgrades business, VAT is currently engaged in qualification activities with fab customers who are creating capacity in anticipation of strong demand.

As a result, second quarter Group orders amounted to CHF 271 million, up 75% year-on-year and approximately 15% higher than in the first quarter of 2024. Net sales were CHF 251 million, a 14% increase compared with the same quarter in 2023, and close to the upper end of the guidance of CHF 235–255 million communicated in mid-April. This includes around CHF 8 million in advanced shipments of products due to the planned ERP implementation in Switzerland in the summer, resulting in about two weeks of production interruption in the Haag facilities. Foreign exchange movements, against the Swiss franc, had a negative impact of about 1% (based on like-for-like rates as per Q2 2023) on the change in reported Q2 sales. The second quarter book-to-bill ratio was 1.1, and the order backlog on June 30, 2024, amounted to CHF 346 million.

The Valves segment reported net sales of CHF 201 million in the second quarter, a 15% increase compared with the same period a year earlier and a 24% increase compared to Q1 2024. Net sales for Global Service were up 37% at CHF 50 million compared to Q1 2024, and up 10% compared to Q2 2023.

Six-month 2024 summary

During the first six months of 2024, VAT's total order intake amounted to CHF 507 million, an increase of 74% compared with the trough levels seen the previous year. Net sales were flat compared to last year at CHF 450 million, with some weakness in ADV impacting group results and H1 2023 sales benefiting from conversion of a high orderbook at year-end 2022 of CHF 517 million. Foreign exchange movements, especially the US dollar against the Swiss franc, negatively impacted H1 sales by about minus 4%

Orders in the Valves segment increased by 85% during the first half of 2024 vs. 2023 and amounted to CHF 412 million. Net sales were 1% higher at CHF 364 million. The Semiconductors business unit saw a significant pickup of order flow in H1 2024 which came in 149% above H1 2023. Sales increased by 9% year-on-year. In ADV, orders in 2024 declined by 19% compared to H1 2023, reflecting softer conditions across ADV end-markets.

The Global Service segment reported orders 37% higher year-on-year while sales decreased by 10% to CHF 86 million. This reflects heightened utilization rates in semiconductor fabs, and ongoing qualification runs for retrofits and upgrades, which will translate into sales later.

Gross profit and EBITDA both increased over H1 2023

Gross profit[1] for the first six months of 2024 amounted to CHF 298 million, an increase of 6%. Therefore, the H1 2024 gross profit margin[2] increased to 66.4% in 2024 from 62.1% in the same period in 2023. This is partially due to the planned temporary increase of inventories in preparation for the ERP implementation. This substantial inventory build-up on semi-finished and finished goods has been capitalized, which increased the gross profit margin. A counter-effect is anticipated in H2 as inventories are sold down again.

EBITDA for the first half of the year increased 2% to CHF 135 million while the EBITDA margin increased to 30.1% vs. 29.2% a year earlier. This increase reflects the impact of ongoing operational measures from last year focused on productivity and cost improvements but is also impacted by continued investment in machinery and staff. The net foreign exchange impact (including hedging gains) on EBITDA margin was positive, with hedging gains adding 0.5% percentage points for H1 2024. EBIT for the first six months of 2024 increased 2% to CHF 114 million, leading to a higher EBIT margin of 25.3% compared with 24.6% in the first half of 2023.

Below the EBIT line, net financial gains amounted to CHF 1 million which compares to minus CHF 11 million in H1 2023. Revaluation gains on cash balances and intercompany loans contributed to the overall positive result. The effective tax rate for the first six months of 2024 was 18% compared with 16% a year earlier.

First-half 2024 net income amounted to CHF 94 million, 12% higher than in the first six months of 2023. This includes the impact of overall increased business activities, positive financial results and the slightly higher tax rate. EPS for H1 2024 amounted to CHF 3.14.

On June 30, 2024, net debt amounted to CHF 231 million compared with CHF 198 million a year ago. The leverage ratio on a last-twelve-month (LTM) basis and measured as net debt to LTM EBITDA was 0.8x, slightly up from 0.6x a year earlier and from the 0.2x level at the end of 2023. This is in line with the normal seasonal pattern that includes the dividend payment in May of each year. The equity ratio on June 30, 2024, was 53% compared with 56% on June 30, 2023.

1 Gross profit is calculated as net sales minus costs of raw materials and consumables used plus/minus changes in inventory of finished goods and work in progress.
2 Gross profit margin: gross profit as a percentage of net sales

Increasing preparedness of the industry for record 2025 WFE spend
Investment conditions in the semiconductor segment are expected to gradually improve throughout 2024, with an acceleration towards the second half of the year, followed by even stronger growth in 2025. This growth will be primarily driven by AI applications, with most of the activity focused on memory. Market observers believe that WFE spending in 2024 will increase slightly over 2023 and grow strongly in 2025.

VAT continued to invest in technology innovation and operational improvements during H1 2024, including working with our clients on the next generation of tools. Specification wins, especially in high-end vacuum valves needed for the next generation of advanced semiconductors, continued growing and relate to tools that will be deployed in 2-5 years' time. VAT recorded 48 wins during the first half of this year. This compares to 41 wins reported at H1 2023.

Free cash flow reflects ERP-related finished goods inventory increase and continued capacity expansion
Free cash flow in the first six months of 2024 amounted to CHF 26 million, 29% lower than the year before. This is mainly the result of higher capital expenditures (capex). Capex amounted to CHF 40 million in the first six months of 2024, up 28% compared with CHF 31 million in the first half of 2023, reflecting higher investments in capacity expansions in Malaysia and Switzerland which will be needed to meet higher demand expected in 2024 and beyond. Trade working capital amounted to CHF 317 million. As a percentage of the last twelve months' net sales, net working capital increased to approximately 36% from 30% a year earlier, the result of the ERP implementation related inventory build up.

At the end of June 2024, VAT had 2,983 employees worldwide (measured as full-time equivalents, FTEs), an increase of 278 FTEs, or 10%, vs. the end of June 2023.

Third Sustainability Report published
Ahead of the AGM, VAT published its Sustainability Report 2023, providing stakeholders with detailed insights of its environment, social and governance (ESG) focus and the progress made vs. its inaugural ESG targets and an overview over its external ESG ratings. VAT believes that long-term business success can only be sustained by integrating a broad range of values into strategic and operational planning. This includes providing employees with opportunities to grow and develop, playing a positive role in the communities in which it operates and reducing the impact on the environment. As a key player in our industry, VAT and its customers are working together towards minimizing the impact on the environment.

To highlight the importance of sustainability in our overall corporate strategy, VAT has also formed a separate Sustainability Committee on the Board of Directors level, replacing the previous, more informal Sustainability Council.

The improvements in several ESG areas demonstrate the clear focus given to VAT's sustainability and ESG performance by the Board of Directors and executive management. The execution of the ESG measures and targets from the company's mid-term strategic plan back in 2022 have gained companywide traction, including further improvements in the data granularity in areas such as GHG emissions, energy consumption, and waste generation. Today, VAT includes sustainability considerations in how it operates the business, and it has embedded sustainability performance criteria at the core of its corporate strategy seeing it also as one of the key drivers of sustainable commercial success.

Outlook 2024 – Continued sequential growth in orders and sales expected for H2 2024
VAT continues to expect investments in semiconductor manufacturing equipment to continue to grow over the rest of 2024. With elections in numerous countries scheduled in H2 2024, uncertainties remain on the timing of a market ramp.

The global economy has been resilient as global activity picked up at the start of 2Q24, reflecting solid activity in emerging and developing economies. Market research companies are estimating semiconductor WFE spend in 2024 of between USD 90–105 billion. This number is likely to increase to USD 110–120 billion in 2025. Demand from China, especially related to IoT, communications, automotive, power, sensors (ICAPS) is expected to remain strong in 2024. This strength could potentially, if the investment environment persists, continue into 2025, but at slower growth rates. Memory capex is in a cyclical recovery, driven by DRAM and HBM for AI, while NAND is slowly recovering and expected to accelerate in the second half of 2024 and into 2025. Leading-edge logic is slowly growing with AI

Key figures Valves

In CHF million	Q2 2024	Q2 2023	Change[1]	6M 2024	6M 2023	Change[2]
Order intake	221.5	120.3	84.1%	412.3	222.8	85.1%
Semiconductors	189.6	79.1	139.7%	343.9	137.9	149.4%
Advanced Industrials	31.9	41.2	–22.6%	68.4	84.9	–19.4%
Net sales	201.4	175.7	14.6%	363.5	358.6	1.4%
Semiconductors	164.0	126.8	29.3%	291.2	266.1	9.4%
Advanced Industrials	37.3	48.9	–23.7%	72.3	92.5	–21.8%
Inter-segment sales	20.4	17.9	13.8%	35.2	39.3	–10.4%
Segment net sales	221.8	193.6	14.6%	398.7	397.9	0.2%
Segment EBITDA				116.9	115.3	1.4%
Segment EBITDA margin[3]				29.3%	29.0%	

Key figures Global Service

In CHF million	Q2 2024	Q2 2023	Change[1]	6M 2024	6M 2023	Change[2]
Order intake	49.4	34.9	41.6%	94.5	68.9	37.2%
Net sales	49.7	45.3	9.7%	86.1	95.2	–9.5%
Inter-segment sales	–	–	–	–	–	–
Segment net sales	49.7	45.3	9.7%	86.1	95.2	–9.5%
Segment EBITDA				34.0	37.9	–10.3%
Segment EBITDA margin[3]				39.5%	39.8%	

1 Quarter-on-quarter
2 Year-on-year
3 Segment EBITDA margin as a percentage of Segment net sales

fueling technology inflections like GAA and 2nm rollout. Our customers have managed down excess inventories and order-flow is expected to remain stable. VAT expects this sequential demand improvement to continue in the remaining two quarters of the year at similar run-rates to H1 and that the market shows strong growth starting in early 2025.

VAT's Malaysia 1B facility will open in late 2024, and the Innovation Center in Haag will open in early 2025, providing both incremental manufacturing and R&D capacities and capabilities to support VAT's growth strategy.

Based on these factors, VAT continues to expect higher sales, EBITDA, EBITDA margin, net income, and free cash flow for FY 2024. The company now expects its full-year 2024 EBITDA margin to be at the lower end of the 32–37% target band set at the 2022 CMD and based on a USD/CHF rate of 0.95. VAT intends to continue ramping up production and engineering services at its facilities in Malaysia, increasing its natural FX hedge by sourcing from best-cost countries, and gaining greater economies of scale in global supply chains. Investments in R&D will also continue, including in its new Innovation Center in Switzerland. Overall, 2024 capex is forecast at CHF 70–80 million.

Consolidated income statement

January 1–June 30 In CHF thousand	Note	2024 unaudited	2023 unaudited
Net sales	**4, 5**	**449,605**	**453,750**
Raw materials and consumables used		–189,035	–179,658
Changes in inventories of finished goods and work in progress		37,804	7,583
Personnel expenses	8	–121,923	–110,666
Other income		4,997	7,388
Other expenses		–46,164	–46,040
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]		**135,285**	**132,357**
Depreciation, amortization and impairment		–21,526	–20,706
Earnings before interest and taxes (EBIT)[1]		**113,759**	**111,651**
Finance income		4,338	681
Finance costs		–3,534	–11,961
Earnings before income taxes		**114,563**	**100,371**
Income tax expenses	6	–20,567	–16,171
Net income attributable to owners of the Company		**93,996**	**84,200**
Earnings per share (in CHF)			
Basic earnings per share		3.14	2.81
Diluted earnings per share		3.13	2.81

1 Interest includes other items as reported in the financial results.

Consolidated statement of comprehensive income

January 1–June 30 In CHF thousand	Note	2024 unaudited	2023 unaudited
Net income attributable to owners of the Company		**93,996**	**84,200**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	10	6,469	–5,355
Related tax	10	–925	776
Subtotal		**5,544**	**–4,579**
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of hedging reserves		–14,204	1,899
Related tax		2,047	–275
Currency translation adjustments		4,569	–8,640
Subtotal		**–7,588**	**–7,016**
Other comprehensive income for the period (net of tax)		**–2,044**	**–11,595**
Total comprehensive income for the period attributable to owners of the Company		**91,952**	**72,605**

Consolidated balance sheet

In CHF thousand	Note	30.06.2024 unaudited	31.12.2023 audited
Assets			
Cash and cash equivalents		116,407	144,108
Trade and other receivables		147,107	108,752
Other investments, including derivatives	11	5,871	18,089
Prepayments and accrued income		9,711	4,375
Inventories		242,939	188,455
Current tax assets		1,282	1,913
Current assets		**523,317**	**465,692**
Property, plant and equipment		258,128	234,822
Investment properties		1,599	1,624
Intangible assets and goodwill		453,641	459,422
Other receivables		1,138	1,029
Other investments		1,738	891
Deferred tax assets		8,400	4,976
Non-current assets		**724,643**	**702,764**
Total assets		**1,247,960**	**1,168,456**

In CHF thousand	Note	30.06.2024 unaudited	31.12.2023 audited
Liabilities			
Trade and other payables		96,801	81,867
Loans and borrowings[2]	9	2,231	2,071
Provisions		2,082	2,207
Derivative financial instruments	11	10,151	544
Accrued expenses and deferred income		51,296	36,783
Current tax liabilities		25,989	20,611
Current liabilities		**188,551**	**144,084**
Loans and borrowings[2]	9	344,942	205,235
Other non-current liabilities		1,919	1,548
Deferred tax liabilities		44,055	43,492
Defined benefit obligations		9,782	16,936
Non-current liabilities		**400,699**	**267,211**
Total liabilities		**589,250**	**411,295**
Equity			
Share capital		3,000	3,000
Share premium		344	344
Reserves		–15,159	–7,570
Treasury shares		–7,076	–6,795
Retained earnings[1]		677,601	768,183
Total equity attributable to owners of the Company		**658,710**	**757,161**
Total liabilities and equity		**1,247,960**	**1,168,456**

1 Includes remeasurements of DBO and other reserves
2 The previously reported figures have been reclassified due to a change in accounting policy (refer to Note 3 Material accounting policies)

Consolidated statement of changes in equity

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
Equity as of Jan 1, 2023	**3,000**	**344**	**4,657**	**–3,433**	**–5,317**	**781,069**	**780,320**
Net income attributable to owners of the Company						84,200	84,200
Total other comprehensive income for the period attributable to owners of the Company			1,624	–8,640		–4,579	–11,595
Treasury shares acquired					–2,957		–2,957
Dividend payment						–187,436	–187,436
Share-based payments (net of tax)					4,264	–3,028	1,236
Equity as of June 30, 2023, unaudited	**3,000**	**344**	**6,281**	**–12,073**	**–4,009**	**670,227**	**663,769**

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
Equity as of Jan 1, 2024	**3,000**	**344**	**10,254**	**–17,824**	**–6,795**	**768,183**	**757,161**
Net income attributable to owners of the Company						93,996	93,996
Total other comprehensive income for the period attributable to owners of the Company			–12,157	4,569		5,544	–2,044
Treasury shares acquired					–4,232		–4,232
Dividend payment						–187,415	–187,415
Share-based payments (net of tax)					3,951	–2,707	1,244
Equity as of June 30, 2024, unaudited	**3,000**	**344**	**–1,903**	**–13,255**	**–7,076**	**677,601**	**658,710**

Consolidated statement of cash flows

January 1–June 30 In CHF thousand	Note	2024 unaudited	2023 unaudited
Net income attributable to owners of the Company		**93,996**	**84,200**
Adjustments for:			
Depreciation, amortization and impairment		21,526	20,706
(Profit)/loss from disposal of property, plant and equipment		–29	–96
Change in defined benefit obligations		–687	–774
Net impact from foreign exchange		5,103	2,332
Income tax expenses	6	20,567	16,171
Net finance costs		–804	11,280
Other non-cash-effective adjustments		928	1,046
Change in trade and other receivables		–35,796	38,393
Change in prepayments and accrued income		–5,446	1,319
Change in inventories		–49,760	–11,646
Change in trade and other payables		19,905	–64,832
Change in accrued expenses and deferred income		13,735	508
Change in provisions		188	–25
Cash generated from operations		83,425	98,584
Income taxes paid		–17,101	–31,246
Cash flow from operating activities		**66,324**	**67,338**
Purchases of property, plant and equipment		–35,647	–27,749
Proceeds from sale of property, plant and equipment		58	210
Purchases of intangible assets and development expenditure		–4,308	–3,526
Interest received		756	671
Loans granted		–839	0
Cash flow from investing activities		**–39,980**	**–30,393**
Proceeds from borrowings	9	140,000	310,000
Repayments of borrowings	9	0	–200,000
Repayments of lease liabilities		–1,513	–1,543
Purchase of treasury shares		–4,232	–2,957
Dividend paid	7	–187,415	–187,436
Interest paid		–2,562	–3,122
Other finance expenses paid		–484	–1,896
Cash flow from financing activities		**–56,207**	**–86,954**
Net increase/(decrease) in cash and cash equivalents		**–29,863**	**–50,009**
Cash and cash equivalents at beginning of period		144,108	174,365
Effect of movements in exchange rates on cash held		2,162	–3,885
Cash and cash equivalents at end of period		**116,407**	**120,470**

Notes to the condensed consolidated interim financial statements

1. General information

VAT Group AG ("the Company") is a limited liability company incorporated in accordance with Swiss law. The registered office of the Company is Seelistrasse 1, 9469 Haag, Switzerland.

The condensed consolidated interim financial statements as at and for the six-month period ended June 30, 2024, comprise VAT Group AG and all companies under its control (together referred to as "VAT" or "Group").

The Group develops, manufactures, and sells vacuum valves for the semiconductor, displays, photovoltaics, and vacuum-coating industries as well as for the industrial and research sector.

These condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on July 17, 2024.

2. Basis of accounting of half-year report

The consolidated interim financial statements of the Group are presented in a condensed form and have been prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2023. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

In general, the sales of the Group are not subject to significant seasonal variations.

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates, and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from estimates. Estimates and underlying assumptions are reviewed frequently. Revisions to estimates are recognized prospectively. Important estimates and assumptions with related uncertainties primarily affect intangible assets and goodwill, property, plant and equipment, income taxes, post-employment benefits, provisions, and contingent considerations.

3. Material accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2023.

The Group has adopted Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities that are subject to covenants within 12 months after the reporting period. The related liabilities are reclassified as non-current as at December 31, 2023. No other new accounting standard or amendment has a material effect on the Group's financial statements.

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2024, and earlier application is permitted. In 2024, IFRS 18 Presentation and Disclosure in Financial Statements was issued, which replaces IAS 1. IFRS 18 will apply for annual reporting periods beginning on or after January 1, 2027. The Group has started a project to assess the impact that initial application will have on its consolidated financial statements. The Group has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed consolidated interim financial statements.

4. Segment information

The Group is divided into and managed on the basis of two segments: Valves and the Global Service segment. The segment information is presented as provided to the Board of Directors and the Group Executive Committee in their role as Chief Operating Decision Maker (CODM) and measured in a manner consistent with that of the financial statements. Sales between the segments are carried out at arm's length and are eliminated on consolidation.

Information about reportable segments

January 1–June 30, 2024 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Net sales	363,482	86,123	449,605		449,605
Inter-segment sales	35,177		35,177	–35,177	0
Segment net sales	**398,659**	**86,123**	**484,782**	**–35,177**	**449,605**
Segment EBITDA	**116,891**	**34,022**	**150,913**	**–15,628**	**135,285**

January 1–June 30, 2023 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Net sales	358,588	95,163	453,750		453,750
Inter-segment sales	39,300		39,300	–39,300	0
Segment net sales	**397,888**	**95,163**	**493,050**	**–39,300**	**453,750**
Segment EBITDA	**115,326**	**37,919**	**153,245**	**–20,888**	**132,357**

As of June 30, 2024 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Segment assets	950,930	137,530	1,088,460	1,599	1,090,059
Segment liabilities	53,925	6,697	60,622	246	60,868
Segment net operating assets	**897,005**	**130,833**	**1,027,838**	**1,353**	**1,029,191**
of which net trade working capital	281,615	35,518	317,133	–246	316,887

As of December 31, 2023 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Segment assets	847,220	134,084	981,304	1,624	982,928
Segment liabilities	48,613	1,895	50,508		50,508
Segment net operating assets	**798,607**	**132,190**	**930,797**	**1,624**	**932,420**
of which net trade working capital	202,802	40,687	243,489		243,489

Net operating assets by reportable segment include trade receivables, inventories, property, plant and equipment, investment properties, intangible assets, and goodwill as well as trade payables. Intangible assets and goodwill are allocated to the segments based on quotes defined as a result of the purchase price allocation.

Reconciliation of information on reportable segments to the amounts reported in the financial statements

Income statement

January 1–June 30 In CHF thousand	2024	2023
Segment EBITDA	150,913	153,245
Corporate and eliminations	–15,628	–20,888
Depreciation, amortization and impairment	–21,526	–20,706
Finance costs net	804	–11,280
Earnings before income taxes	**114,563**	**100,371**

Assets

In CHF thousand	30.06.2024	31.12.2023
Segment assets	1,088,460	981,304
Corporate and eliminations	1,599	1,624
Cash and cash equivalents	116,407	144,108
Other assets[1]	41,494	41,420
Assets	**1,247,960**	**1,168,456**

1 The main positions included in other assets are other receivables, other investments, deferred tax assets and prepayments, and accrued income.

Liabilities

In CHF thousand	30.06.2024	31.12.2023
Segment liabilities	60,622	50,508
Corporate and eliminations	246	0
Loans and borrowings	347,173	207,306
Other liabilities[1] and provisions	181,209	153,481
Liabilities	**589,250**	**411,295**

1 Only trade payables are allocated to segments.

5. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers and is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. Customers obtain control of the goods dependent on standard trade terms (Incoterms) or when services are rendered. The Group uses different Incoterms, generally CIP, DDP, EXW and FCA. Contracts include only standard warranty clauses and do not provide for separate purchase of warranty. Payment conditions are short term and therefore do not contain significant financing components.

Disaggregation of order intake and net sales

January 1–June 30, 2024 In CHF thousand	Valves	Global Service	Total
Order intake	412,250	94,462	506,713
Net sales by region			
Asia	239,396	44,748	284,145
Americas	60,639	31,014	91,653
EMEA	63,447	10,361	73,807
Segment net sales	**363,482**	**86,123**	**449,605**

January 1–June 30, 2023 In CHF thousand	Valves	Global Service	Total
Order intake	222,788	68,888	291,676
Net sales by region			
Asia	223,741	49,500	273,241
Americas	70,074	33,342	103,416
EMEA	64,773	12,321	77,093
Segment net sales	**358,588**	**95,163**	**453,750**

6. Tax information

Income tax expenses are recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six-month period ended June 30, 2024, is 16.6% compared to 15.1% for the six-month period ended June 30, 2023.

The Group is subject to the global minimum top-up tax under Pillar Two tax legislation. The top-up tax mainly relates to the Group's operations in Switzerland, where the statutory tax rate is 14.3%. The Group recognized a current tax expense of CHF 1.0 million, related to the top-up tax in the six months ended June 30, 2024 (prior period: CHF 0.0 million).

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

7. Dividend

In CHF thousand	2024	2023
Dividends paid	187,415	187,436

At the Annual General Meeting, held on May 14, 2024, the shareholders approved a dividend in the amount of CHF 6.25 per share for the financial year 2023 (prior year: CHF 6.25 per share). The dividend was paid out on May 21, 2024.

8. Share-based payments

Members of the Board of Directors receive 30% of total compensation in restricted shares. VAT Group granted 859 shares with a fair value of CHF 469.10 per share for the period 2023/24 (prior period: 1,147 shares). The shares were transferred in May 2024. For the period 2024/25, the Group allocated 152 shares (prior year: 209 shares).

Long-term incentive plans (LTIP) are in place for the Group's management. 11,880 shares with a fair value of CHF 481.00 per share were transferred in May 2024 for the LTIP 2021. For the ongoing plans, the number of outstanding performance share units (PSU) is 18,335 (prior year: 21,476).

These programs are accounted for as equity-settled share-based payment compensation. A total amount of CHF 0.9 million (prior period: CHF 1.0 million) was recognized directly in equity.

9. Loans and borrowings

VAT Group AG maintains a syndicated revolving loan facility of CHF 250.0 million, maturing on December 21, 2027, and includes an uncommitted extension option of two times one year. The outstanding loan as of June 30, 2024 amounts to CHF 140.0 million. The movement of the outstanding loan in the financial year 2024 was driven by raising of CHF 140.0 million.

Additionally, VAT Group AG maintains a syndicated term loan facility of CHF 200.0 million, maturing on May 30, 2025, and includes an uncommitted extension option of one time one year. The extension option was excercised prolonging the maturing date to May 30, 2026. The outstanding loan as of June 30, 2024 amounts to CHF 200.0 million. There has been no movement of the outstanding loan in the financial year 2024.

The facilities are subject to the financial covenant "total net debt/EBITDA" ratio, which is tested semi-annually and with which the Group complied with for the half-year 2024.

With the IAS 1 amendments, as stated in Note 3 Material accounting policies, the utilized loans as of June 30, 2024 and December 31, 2023 are classified as non-current liabilities.

10. Retirement benefit obligation

An actuarial gain, net of tax, of CHF 5.5 million (June 30, 2023, loss: CHF 4.6 million) was recognized through other comprehensive income in the six-month period ended June 30, 2024. The positive return on assets was the main driver of the gain.

11. Fair value estimation

The following table shows the fair values of financial assets and financial liabilities measured at fair value including their levels in the fair value hierarchy.

Financial instruments measured at fair value

In CHF thousand	Measurement principle	Contract value		Fair value	
		30.06.2024	31.12.2023	30.06.2024	31.12.2023
Derivatives held for hedging (USD)	Level 2[1]	107,904	311,213	980	13,683
Derivatives held for hedging (JPY)	Level 2[1]	61,502	51,569	3,867	3,391
Derivatives held for hedging (KRW)	Level 2[1]	25,923	10,344	953	132
Derivatives held for hedging (CNY)	Level 2[1]	3,294	35,540	39	845
Derivative assets		**198,624**	**408,666**	**5,839**	**18,052**
Equity shares	**Level 1[2]**	**0**	**0**	**32**	**37**
Thereof:					
Current assets		198,624	408,666	5,871	18,089
Derivatives held for hedging (USD)	Level 2[1]	271,320	0	–9,141	0
Derivatives held for hedging (JPY)	Level 2[1]	0	7,591	0	–25
Derivatives held for hedging (KRW)	Level 2[1]	0	16,629	0	–353
Derivatives held for hedging (CNY)	Level 2[1]	37,133	3,006	–1,010	–165
Derivative liabilities		**308,453**	**27,226**	**–10,151**	**–544**
Contingent considerations[4]	**Level 3[3]**	**1,400**	**1,400**	**–1,400**	**–1,400**
Thereof:					
Current liabilities		309,253	28,026	–10,951	–1,344
Non-current liabilities		600	600	–600	–600

1 The fair values of the derivatives held by the Group are based on market/broker quotes. Similar contracts are traded in an active market and quotes reflect the actual transactions in similar instruments. If all significant inputs required for the valuation of an instrument are observable, the instrument is included in Level 2.
2 The fair value of equity shares are based on quoted market prices in active markets.
3 Fair values measured using unobservable inputs are categorized within Level 3 of the fair value hierarchy. This applies particularly to contingent considerations in business combinations.
4 Contingent considerations are disclosed in Trade and other payables and Other non-current liabilities.

On June 30, 2024, the cash flow hedge reserves included net unrealized losses of CHF 1.9 million (prior period: unrealized gains of CHF 6.3 million), net of tax, on derivatives designated as cash flow hedges. Net losses of CHF 7.5 million (prior period: net gains of CHF 11.5 million) were reclassified to the profit and loss statement in 2024. The maturity of derivatives classified as a cash flow hedge was up to 12 months.

The carrying amounts of financial assets and liabilities not measured at fair value are a reasonable approximate of their fair values.

12. Principal exchange rates

The following table summarizes the principal exchange rates for translation purposes.

	Average exchange rates in CHF		Closing exchange rates in CHF		
	01.01.–30.06.2024	01.01.–30.06.2023	30.06.2024	31.12.2023	30.06.2023
1 Chinese Yuan	0.12	0.13	0.12	0.12	0.12
1 Euro	0.96	0.99	0.96	0.93	0.98
100 Japanese Yen	0.58	0.68	0.56	0.60	0.62
100 Korean Won	0.07	0.07	0.07	0.07	0.07
1 Malaysian Ringgit	0.19	0.20	0.19	0.18	0.19
1 US Dollar	0.89	0.91	0.90	0.84	0.90

13. Events occurring after the end of the reporting period

There are no events occurring after the end of the reporting period that warrant disclosure.

Haag, Switzerland, July 18, 2024

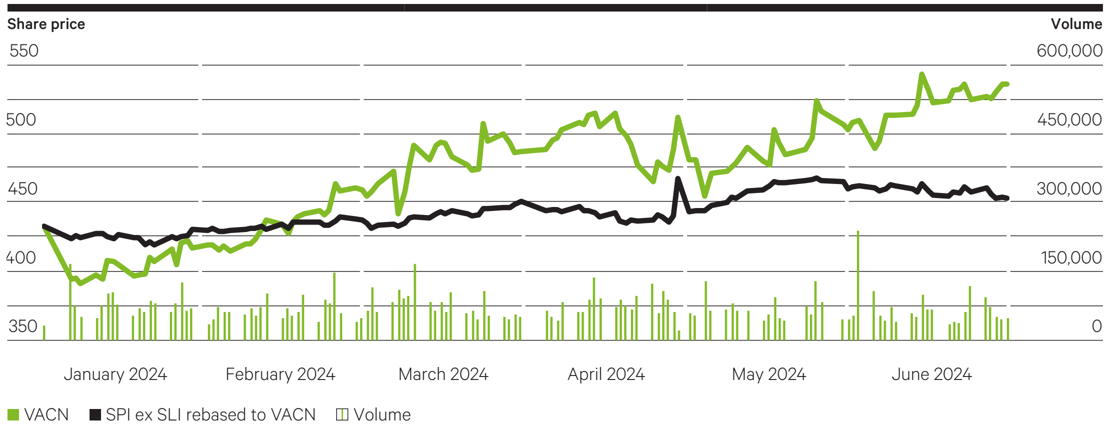
Shareholder information

VAT's share price further increased during the first six months of 2024 as investors continued to focus on the improving market conditions especially in the semiconductor equipment spending. This reached its bottom in the first half of 2023 and has since been sequentially improving. VAT is seen as an early cycle participant in the semiconductor equipment market and improving market conditions are typically reflected earlier in the share price. With its focus on high-end vacuum valves, VAT is considered a pure play in this segment and, with its global leadership position, a way for investors to participate in the expected industry upturn. VAT's share price on June 30, 2024, amounted to CHF 509, corresponding to a total market capitalization of CHF 15.3 billion, about 21% higher than at the beginning of the year.

VAT's major shareholders
Since the end of 2023, one large shareholder has informed the company that they have reduced their position in VAT shares to below the reporting threshold of 3% of VAT's outstanding shares. Together, the remaining four largest shareholders with positions of over 3% own approximately 22% of outstanding shares. The free float of VAT shares, as defined by the SIX Swiss Exchange, amounted to approximately 90% at the end of June 2024. The number of registered shareholders was 20,160.

Dividend policy
On May 21, 2024, VAT paid its shareholders a dividend of CHF 6.25 (2023: CHF 6.25) per share for the business year 2023, in line with its stated policy to pay a dividend of up to 100% of free cash flow. VAT also expects its dividend for the business year 2024 to be in line with this policy.

Share price development



Stock exchange listing

Ticker symbol	VACN (SIX); VACN.S (Reuters); VACN SW (Bloomberg)	**Legal Entity Identifier (LEI)**	529900MVFK7NVALR7Y83
Valor number	31 186 490	**Nominal value**	CHF 0.10 per share
ISIN	CH0311864901	**Free float**	Approximately 90%
Market capitalization as of June 30, 2024	CHF 15.3 bn	**Number of shares outstanding**	30,000,000
Exchange	SIX Swiss Exchange (International Reporting Standard)	**Segment**	Mid and Small Cap Swiss shares

Financial calendar

Date	Event
2024	
Thursday, October 17, 2024	Q3 2024 trading update
2025	
Thursday, January 9, 2025	Preliminary high-level Q4 and full-year 2024 Results
Tuesday, March 4, 2025	Full-year 2024 results
Thursday, April 17, 2025	Q1 2025 trading update
Tuesday, April 29, 2025	Annual General Meeting 2025
Wednesday, July 23, 2025	Half-year 2025 results
Thursday, October 16, 2025	Q3 2025 trading update

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OUTLOOK 2024:

VAT expects investments in semiconductor manufacturing equipment to continue to grow over the rest of 2024. Based on this, VAT continues to expect higher EBITDA, EBITDA margin, net income, and free cash flow for FY 2024.

PASSION. PRECISION. PURITY.